

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Review of SHGG RFP by Lee S. Garrett

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TO: (Officer designation, room number, and building)		DATE	OFFICER'S INITIALS	COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)
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LEES GARRETT

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Nov. 27, 1982

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Central Intelligence Agency
Langley, Virginia

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Pursuant to provisions of Contract 83*R792400*000 I have reviewed the proposal of Smith, Hinch & Grylls Associates, Inc. (SH&G) for accomplishing design of new facilities at the CIA headquarters site. Based on this review it is my opinion that it is appropriate to proceed with preparation for negotiation of a contract for the proposed design and construction support services. The reasons for proceeding include:

- a. The SH&G proposal is responsible to the RFP.
- b. SH&G's proposed cost of \$9.2M for the design phase does not exceed 6% of the programmed construction cost of approximately \$160M. 6% times \$160M equals \$9.6M.
- c. SH&G's \$9.2M proposal is considered high and therefore must be negotiated downward about 35% to arrive at a fair and reasonable price for the prescribed design related services. Based on my review I believe there are sufficient negotiable items and questions for audit resolution to make this reduction attainable.
- d. The audit report will establish appropriate labor and overhead rates. The negotiation will cover how these rates are applied to the production of drawings, specifications, estimates, analyses, and other services.
- e. The negotiations should conclude in a mutual understanding between the government and AE contractor regarding services to be performed, products to be delivered, responsibilities of all parties, and result in an acceptable price, a record of negotiations, and a basis for making a contract award.
- f. The information and data derived as a result of the audit and negotiations will provide a sound basis for negotiating any change or supplemental agreement should they become necessary.
- g. The government will, by following the selection and negotiation process have adhered to statutes and policies for the procurement of architectural and engineer (A-E) services and in my opinion will have completely fulfilled its responsibility.

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h. Should mutual understanding not be reached or an acceptable price not agreed to, the negotiations would be broken off and the process repeated with the next most preferable AE.

Established practice for handling a proposal for AE services of this magnitude would be to determine if it is responsive to the RFP and appears from a price analysis standpoint to be capable of being negotiated to a fair and reasonable price. If these questions are resolved in the affirmative the following actions are taken:

- a. An audit of the proposal is conducted and a report which includes a technical-analysis prepared.
- b. A detailed analysis of proposed cost made.
- c. A technical analysis of the AE's responses to the RFP and adherence to scope of work is made and a summary prepared for inclusion in audit report.
- d. Comparisons to the independent government estimate are performed by the negotiator.
- e. A negotiation strategy is developed based on the results of a, b, c, and d.
- f. Negotiations are conducted towards arriving at a mutual understanding of the scope of work and resulting in a price equal to or below the final government estimate.
- g. A record of negotiation is prepared.
- h. Contingent on a successful negotiation procedures necessary to make a contract award are accomplished.

Ongoing actions by the Agency are being responsive to these practices. The actions include:

- a. The proposal has been evaluated as previously indicated and is believed to be responsive and capable of being negotiated at a fair and reasonable price.
- b. The audit and audit report preparation is underway.
- c. In preparation for the audit a number of questions have been provided to the auditor for resolution.
- d. In preparation for negotiation a number of procedural, cost, technical, and schedule questions are being prepared which will be summarized for the technical analysis portion of the audit report.

- e. These same items along with audit results will be used to aid the development of a negotiation strategy and to support the conduct of negotiations.
- f. Reviews of what design, design support activities, and construction support activities should cost for the required facilities have been made. These will provide a basis for comparison with SH&G proposed cost and thus used to support the negotiations.
- g. A review has been made of SH&G's schedule submitted with the proposal. This schedule represents the major phases of work in blocks of time without detailed breakdown of activities. A comparison of these time blocks and proposed prices for work done during the blocks plus a general analysis of the schedule indicates that there are significant advantages to the completion of the design work and preparation of construction documents between now and Jan. 1984. These advantages include:
 - (1) The potential for cost avoidance during the design phase. SH&G has proposed increases of 8% in labor rates in '84 for major portions of the work on the construction documents which can be negotiated out.
 - (2) The potential for cost avoidance for construction. Better bids from more bidders might be expected if the project is advertised in early January '84 which is prior to the start of the actual construction season rather than in the late summer of '84 when the construction contractors are the busiest. The earlier start allows avoidance of 6 to 8 months cost escalation and the construction contractor to have a full construction season in '84, which by itself provides the opportunity for further shortening the overall schedule by two to four months.
 - (3) The potential cost avoidance to the Agency for earlier occupancy of the building. This should be no less than six months and could approach a year depending on final resolution of construction schedules and rental contracts.
 - (4) The potential benefits when dealing with congress. One would expect favorable reaction to being able to state in testimony in early '83 that the Agency is proceeding on a schedule which will permit a construction start in early '84 and in early '84 that such a start has taken place or is eminent.
 - (5) The benefits of maintaining a schedule which originally anticipated funding and A-E contract award in early October '82.

(6) The reduced probability of changes. The longer the design time the more likelihood of many small changes that increase cost and extend the time for completion or a major event occurring which delays the whole project.

The revised schedule must be incorporated during negotiations refined by SH&G and provided by them prior to contract award or as a part of the first monthly progress report.

Very truly yours

Lee S. Garrett

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